

CITY OF CORYDON  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

Peak & Gerdes, LLP  
Certified Public Accountants  
1051 Office Park Road  
West Des Moines, IA 50265

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City of Corydon

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Harlan	Mayor	January 2, 2006
John Rider	Mayor Pro Tem	January 2, 2006
Wendell Chastain	Council Member	January 2, 2006
Cheryl Nessen	Council Member	January 2, 2006
Normajean DuBay	Council Member	January 2, 2008
Doug McCart	Council Member	January 2, 2008
Norma Rockhold	City Clerk	January 2, 2006
Judy Annis	City Treasurer	January 2, 2006
Monty Franklin	City Attorney	Indefinite

City of Corydon

PEAK & GERDES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1051 OFFICE PARK ROAD  
WEST DES MOINES, IA 50265

(515) 277-3077

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corydon, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Corydon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corydon as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2005 on our consideration of the City of Corydon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 20 and 21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

City of Corydon, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined as necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corydon's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP  
Certified Public Accountants

November 18, 2005

## Basic Financial Statements

City of Corydon

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

Functions / Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 122,810	1,426	23,747	-
Public works	184,068	11,018	132,285	-
Culture and recreation	188,635	5,150	42,321	-
Community and economic development	5,025	-	-	-
General government	133,718	4,600	3,000	-
Debt service	125,496	-	18,072	-
Capital projects	1,050,397	-	-	267,037
Total governmental activities	1,810,149	22,194	219,425	267,037
Business type activities:				
Sewer	402,303	143,484	-	50,471
Water	770,231	270,877	-	94,184
Garbage	124,819	143,796	-	-
Total business type activities	1,297,353	558,157	-	144,655
Total	\$ 3,107,502	580,351	219,425	411,692

**General Receipts:**

Property tax levied for:

General purposes

Tax increment financing

Debt service

Grants and contributions not restricted to specific purpose

Unrestricted interest on investments

State revolving fund loan proceeds

Revenue note proceeds

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Streets

Debt service

Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.



Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(97,637)	-	(97,637)
(40,765)	-	(40,765)
(141,164)	-	(141,164)
(5,025)	-	(5,025)
(126,118)	-	(126,118)
(107,424)	-	(107,424)
(783,360)	-	(783,360)
(1,301,493)	-	(1,301,493)
-	(208,348)	(208,348)
-	(405,170)	(405,170)
-	18,977	18,977
-	(594,541)	(594,541)
(1,301,493)	(594,541)	(1,896,034)
295,360	-	295,360
30,719	-	30,719
60,666	-	60,666
22,884	-	22,884
11,184	923	12,107
28,030	14,676	42,706
-	783,351	783,351
300,000	-	300,000
24,000	(24,000)	-
772,843	774,950	1,547,793
(528,650)	180,409	(348,241)
677,012	317,637	994,649
\$ 148,362	498,046	646,408
\$ 62,350	-	62,350
7,964	-	7,964
(40,844)	-	(40,844)
118,892	498,046	616,938
\$ 148,362	498,046	646,408

## City of Corydon

Exhibit B

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue		Capital Projects	Other Nonmajor Governmental	Total
	General	Road Use Tax	Aquatic Center	Funds	
<b>Receipts:</b>					
Property tax	\$ 217,173	-	-	138,854	356,027
Tax increment financing collections	-	-	-	30,719	30,719
Licenses and permits	5,817	-	-	-	5,817
Use of money and property	33,104	-	-	-	33,104
Intergovernmental	41,986	132,285	-	18,072	192,343
Charges for service	11,423	-	-	-	11,423
Miscellaneous	61,029	-	267,037	-	328,066
Total receipts	370,532	132,285	267,037	187,645	957,499
<b>Disbursements:</b>					
Operating:					
Public safety	103,721	-	-	19,089	122,810
Public works	38,123	132,210	-	13,735	184,068
Culture and recreation	168,825	-	-	19,810	188,635
Community and economic development	5,025	-	-	-	5,025
General government	114,779	-	-	18,939	133,718
Debt service	9,795	-	6,940	108,761	125,496
Capital projects	-	-	1,050,397	-	1,050,397
Total disbursements	440,268	132,210	1,057,337	180,334	1,810,149
Excess (deficiency) of receipts over (under) disbursements	(69,736)	75	(790,300)	7,311	(852,650)
Other financing sources (uses):					
Revenue note proceeds	-	-	300,000	-	300,000
Operating transfers in	24,000	-	-	15,310	39,310
Operating transfers out	-	-	-	(15,310)	(15,310)
Total other financing sources (uses)	24,000	-	300,000	-	324,000
Net change in cash balances	(45,736)	75	(490,300)	7,311	(528,650)
Cash balances beginning of year	164,628	62,275	303,090	147,019	677,012
Cash balances end of year	\$ 118,892	62,350	(187,210)	154,330	148,362
<b>Cash Basis Fund Balances</b>					
Reserved:					
Debt Service	\$ -	-	-	7,964	7,964
Unreserved:					
General fund	118,892	-	-	-	118,892
Special revenue funds	-	62,350	-	146,366	208,716
Capital projects fund	-	-	(187,210)	-	(187,210)
Total cash basis fund balances	\$ 118,892	62,350	(187,210)	154,330	148,362

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Funds			
	Sewer	Water	Other Non-Major Proprietary Fund - Garbage	Total
Operating receipts:				
Charges for service	\$ 143,484	270,877	143,796	558,157
Total operating receipts	143,484	270,877	143,796	558,157
Operating disbursements:				
Business type activities	399,924	764,517	124,819	1,289,260
Total operating disbursements	399,924	764,517	124,819	1,289,260
Excess (deficiency) of operating receipts over (under) operating disbursements	(256,440)	(493,640)	18,977	(731,103)
Non-operating receipts (disbursements):				
Intergovernmental	50,471	94,184	-	144,655
Interest on investments	-	923	-	923
Miscellaneous	5,410	9,266	-	14,676
State revolving fund loan proceeds	281,592	501,759	-	783,351
Debt service	(2,379)	(5,714)	-	(8,093)
Total non-operating receipts (disbursements)	335,094	600,418	-	935,512
Excess of receipts over disbursements	78,654	106,778	18,977	204,409
Operating transfers out	(8,000)	(8,000)	(8,000)	(24,000)
Net change in cash balances	70,654	98,778	10,977	180,409
Cash balances beginning of year	225,548	37,613	54,476	317,637
Cash balances end of year	\$ 296,202	136,391	65,453	498,046
<b>Cash Basis Fund Balances</b>				
Unreserved	\$ 296,202	136,391	65,453	498,046
Total cash basis fund balances	\$ 296,202	136,391	65,453	498,046

See notes to financial statements.

City of Corydon

Notes to Financial Statements

June 30, 2005

(1) **Summary of Significant Accounting Policies**

The City of Corydon is a political subdivision of the State of Iowa located in Wayne County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general governmental services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Corydon has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Area XV Regional Planning Commission, Wayne County Assessor's Conference Board and the Wayne County Development Corporation.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets.

Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road construction and maintenance.

Capital Projects:

The Aquatic Center Fund is used to account for the construction of the new aquatic center.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Water Fund accounts for the operation and maintenance of the City's water system.

C. Measurement Focus and Basis of Accounting

The City of Corydon maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works, culture and recreation, debt service and capital projects functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$75,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

**(3) Notes and Bonds Payable**

Annual debt service requirements to maturity for general obligation notes and bonds, urban renewal tax increment financing revenue bonds, and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes and Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Notes		Total	
	Principal	Interst	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 46,000	\$ 32,296	\$ 9,338	\$ 2,747	\$ 372,063	\$ 37,408	\$ 427,401	\$ 72,451
2007	46,000	29,870	10,003	2,082	79,680	39,515	135,683	71,467
2008	52,000	27,569	10,713	1,373	82,068	36,995	144,781	65,937
2009	52,000	24,977	11,480	606	84,474	34,373	147,954	59,956
2010	53,000	22,384	-	-	86,899	31,676	139,899	54,060
2011-2015	273,000	76,506	-	-	479,561	115,442	752,561	191,948
2016-2020	181,000	20,190	-	-	84,202	61,057	265,202	81,247
2021-2025	-	-	-	-	34,356	47,724	34,356	47,724
2026-2030	-	-	-	-	43,545	35,535	43,545	35,535
2031-2035	-	-	-	-	55,193	26,887	55,193	26,887
2036-2040	-	-	-	-	69,956	12,124	69,956	12,124
2041-2045	-	-	-	-	14,097	336	14,097	336
Total	\$ 703,000	\$ 233,792	\$ 41,534	\$ 6,808	\$ 1,486,094	\$ 479,072	\$ 2,230,628	\$ 719,672

See Schedule 2 on page 24 for the detail issues which make up the above principal totals.

#### General Obligation Capital Loan Notes

On April 9, 1996, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Norwest Bank Iowa, N.A. (now known as Wells Fargo Bank, N.A.) for the issuance of \$256,000 of general obligation capital loan notes with interest at 4.19% per annum. The agreement also requires the City to annually pay a .05% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the costs of construction, improvement and extensions to the municipal wastewater system. The City received disbursements from Trustee upon request to reimburse the City for the costs as they were incurred. Since the project cost less than the original bond amount, the bond amount was amended accordingly to \$230,000. An initiation fee of 1% of the authorized borrowing for the general obligation capital loan notes was charged by the bank. The total initiation fee was withheld by the bank from the first proceeds of the general obligation capital loan notes drawn by the City during the year ended June 30, 1996. The City pledged the full faith and credit of the City for the repayment of the general obligation capital loan notes.

#### Urban Renewal Tax Increment Financing (TIF) Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Financing Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to constitutional debt limitation of the City.

#### Child Care Center Revenue Notes

The resolutions providing for the issuance of the child care center revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a child care center revenue note sinking account for the purpose of making the note principal and interest payments when due. The City does not have an adequate balance in the sinking account at June 30, 2005.
- (c) Additional monthly transfers of \$138 to the child care center reserve account shall be made until specific minimum balances have been accumulated. This account is restricted for the purpose of paying for the annual bond principal and interest payments should the sinking account have insufficient funds. When \$16,416 is in this account, the City does not have to continue to fund this account. At June 30, 2005, the balance in this account was \$6,108.
- (d) The charges to customers for services of the system shall be sufficient in each year for payment of the proper and reasonable expenses of operation and maintenance of the system and for the payment of principal and interest on the revenue notes.

The City has an agreement with the Wayne County Hospital to operate and manage the Child Care Center. Wayne County Hospital will pay the City use payments on a monthly basis since the City owns the Child Care Center.

#### Swimming Pool Note

The swimming pool note is payable from the revenues of the aquatic center.

#### Fire Department Revenue Notes

The resolutions providing for the issuance of the fire department revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the fire department revenue note sinking account for the purpose of making the note principal and interest payments when due. The City does not have an adequate balance in the sinking account at June 30, 2005.
- (c) Additional monthly transfers of \$86 to the fire department reserve account shall be made until specific minimum balances have been accumulated. This account is restricted for the purpose of paying for annual bond principal and interest payments should the sinking account have insufficient funds. When \$10,928 is in this account, the City does not have to continue to fund this account. The City does not have an adequate balance in the reserve account at June 30, 2005.
- (d) The charges to customers for services of the system shall be sufficient in each year for payment of the proper and reasonable expenses of operation and maintenance of the system and for the payment of principal and interest on the revenue notes.

#### Sewer Revenue and Water Revenue Capital Loan Notes

On September 29, 2004, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and the Wells Fargo Bank Iowa, N.A. for the issuance of \$654,000 of sewer revenue capital notes and \$1,193,000 of water revenue capital notes with interest at 3.00% per annum. The agreement also requires the City to annually pay .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the costs of construction, improvement and extensions to the municipal waterworks and wastewater systems. The City will receive disbursements from the Trustee upon request to reimburse the City for the costs as they are incurred. At June 30, 2005, the City had drawn \$801,820 of the \$1,847,000 authorized. Wells Fargo Bank Iowa, N.A. has the remaining \$1,045,180 held in trust which the City will request as the project progresses. An initiation fee of 1% of the authorized borrowing for the sewer revenue capital loan notes and water revenue capital loan notes was charged by Wells Fargo Bank Iowa, N.A. The total initiation fee was withheld by the bank from the first proceeds of the sewer revenue capital loan notes and water revenue capital loan notes drawn by the City during the year ended June 30, 2005. Although the City is still drawing funds on the sewer revenue capital loan notes and water revenue capital loan notes, a formal repayment schedule has been adopted for the debt.

The resolutions providing for the issuance of the sewer revenue capital loan notes and water revenue capital loan notes includes the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of installment of principal due shall be made to a sewer revenue note and interest sinking account and a water revenue note and interest sinking account. The City does not have an adequate balance in the sinking accounts at June 30, 2005.
- (c) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the water system or wastewater system, may be used to pay or redeem any notes, and then can be used for any lawful purpose.



**(4) Lease Purchase Obligations**

The City was purchasing a Street Sweeper under a capital lease contract. The lease was paid off in fiscal year 2005.

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2005 was \$23,468, equal to the required contributions for the year.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick, compensatory time and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2005 primarily relating to the General Fund, was \$48,255. The liability has been computed based on rates of pay as of June 30, 2005.

**(7) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005, disbursements in the Public Works, Culture and Recreation, Debt Service and Capital Projects functions exceeded the amounts budgeted.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Special Revenue:	
	Tax Increment Financing	\$ 15,310
General:	Enterprise:	
	Sewer	8,000
	Water	8,000
	Garbage	8,000
		<u>24,000</u>
Total		<u>\$ 39,310</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$4,269 during the year ended June 30, 2005.

**(10) Risk Management**

The City of Corydon is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Deficit Fund Balance**

The Capital Projects Fund, Aquatic Center had a deficit balance of \$187,210 at June 30, 2005. This fund incurred a deficit as the City spent more money than they brought in. The City plans to eliminate the deficit through additional fundraisers and donations.

**(12) Commitments and Contingencies**

The City of Corydon purchases all of its water for resale from the Rathbun Regional Water Association, Inc. The City signed an agreement with a vendor which provides sewer services to the City at a contracted amount of at least \$3,000 per year for the next four years. As of June 30, 2005 the city had uncompleted construction contracts of approximately \$1,100,000 outstanding for water, sewer and a pool project. It is anticipated that these projects will be completed in fiscal year 2006. These projects will be paid for from donations, loans and grants.

**(13) Subsequent Events**

In fiscal year 2006, the City refinanced its \$300,000 swimming pool note. The City also received a \$75,000 grant from the State of Iowa for the aquatic center. The City was also awarded a grant in excess of \$95,000 for the purchase of equipment for the fire department.

## Required Supplementary Information

City of Corydon

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts Original	Budget to Net Variance
Receipts:					
Property tax	\$ 356,027	-	356,027	365,923	(9,896)
Tax increment financing collections	30,719	-	30,719	27,396	3,323
Licenses and permits	5,817	-	5,817	450	5,367
Use of money and property	33,104	923	34,027	29,125	4,902
Intergovernmental	192,343	144,655	336,998	617,549	(280,551)
Charge for service	11,423	558,157	569,580	1,825,719	(1,256,139)
Miscellaneous	328,066	14,676	342,742	102,550	240,192
Total receipts	957,499	718,411	1,675,910	2,968,712	(1,292,802)
Disbursements:					
Public safety	122,810	-	122,810	128,771	5,961
Public works	184,068	-	184,068	174,682	(9,386)
Culture and recreation	188,635	-	188,635	181,740	(6,895)
Community and economic development	5,025	-	5,025	5,025	-
General government	133,718	-	133,718	152,222	18,504
Debt service	125,496	-	125,496	108,591	(16,905)
Capital projects	1,050,397	-	1,050,397	936,000	(114,397)
Business type activities	-	1,297,353	1,297,353	1,677,058	379,705
Total disbursements	1,810,149	1,297,353	3,107,502	3,364,089	256,587
Excess (deficiency) of receipts over (under) disbursements	(852,650)	(578,942)	(1,431,592)	(395,377)	(1,036,215)
Other financing sources, net	324,000	759,351	1,083,351	500,000	583,351
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(528,650)	180,409	(348,241)	104,623	(452,864)
Balances beginning of year	677,012	317,637	994,649	838,349	156,300
Balances end of year	\$ 148,362	498,046	646,408	942,972	(296,564)

See accompanying independent auditor's report.

City of Corydon

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the City did not amend its budget.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works, culture and recreation, debt service and capital projects functions.

## Other Supplementary Information

## City of Corydon

Schedule 1

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue				Debt Service	
	Grant	Employee Benefits	Child Care	Tax Increment Financing		Total
<b>Receipts:</b>						
Property tax	\$ -	78,188	-	-	60,666	138,854
Tax increment financing collections	-	-	-	30,719	-	30,719
Intergovernmental	-	-	18,072	-	-	18,072
Total receipts	-	78,188	18,072	30,719	60,666	187,645
<b>Disbursements:</b>						
Operating:						
Public safety	-	19,089	-	-	-	19,089
Public works	-	13,735	-	-	-	13,735
Culture and recreation	-	19,810	-	-	-	19,810
General government	-	18,877	62	-	-	18,939
Debt service	-	-	16,416	12,086	80,259	108,761
Total disbursements	-	71,511	16,478	12,086	80,259	180,334
Excess (deficiency) of receipts over (under) disbursements	-	6,677	1,594	18,633	(19,593)	7,311
Other financing sources (uses):						
Operating transfers in (out)	-	-	-	(15,310)	15,310	-
Net change in cash balances	-	6,677	1,594	3,323	(4,283)	7,311
Cash balances beginning of year	7,331	116,978	4,514	12,057	6,139	147,019
Cash balances end of year	\$ 7,331	123,655	6,108	15,380	1,856	154,330
<b>Cash Basis Fund Balances</b>						
Reserved:						
Debt service	\$ -	-	6,108	-	1,856	7,964
Unreserved:						
Special revenue funds	7,331	123,655	-	15,380	-	146,366
Total cash basis fund balances	\$ 7,331	123,655	6,108	15,380	1,856	154,330

See accompanying independent auditor's report.

City of Corydon  
Schedule of Indebtedness  
Year ended June 30, 2005

Schedule 2

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Capital Loan Notes - Iowa Finance Authority - State Revolving Fund	April 9, 1996	4.19%	\$ 256,000	158,000	-	10,000	148,000	6,620	-
General Obligation Notes and Bonds - Capital Loan Notes	November 17, 2000	5.90%	\$ 115,000	90,000	-	10,000	80,000	5,310	-
General Obligation Bonds	June 1, 2004	3.60-5.50%	500,000	500,000	-	25,000	475,000	22,750	-
				\$ 590,000	-	35,000	555,000	28,060	-
Revenue Notes - Child Care Center Revenue Notes	March 1, 2002	4.75%	\$ 288,000	285,442	-	2,921	282,521	13,495	-
Swimming Pool Note	May 20, 2004	4.00%	300,000	-	300,000	-	300,000	6,939	-
Fire Department Revenue Notes	June 9, 2004	4.25%	107,000	107,000	-	5,247	101,753	4,548	-
Iowa Finance Authority - State Revolving Fund - Sewer Revenue Capital Loan Note	September 29, 2004	3.00%	654,000	-	288,132	-	288,132	1,279	-
Water Revenue Capital Loan Note	September 29, 2004	3.00%	1,193,000	-	513,688	-	513,688	3,708	-
				\$ 392,442	1,101,820	8,168	1,486,094	29,969	-
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	April 8, 1994	7.00%	\$ 110,000	50,251	-	8,717	41,534	3,369	-
Lease Purchase Agreement Equipment	June 3, 2002	4.00%	\$ 78,252	25,540	-	25,540	-	1,833	-

See accompanying independent auditor's report



City of Corydon  
Bond and Note Maturities

June 30, 2005

General Obligation Bonds and Notes											
Iowa Finance Authority				Capital Loan Notes				General Obligation Bonds			
State Revolving Fund				Issued November 17, 2000				Issued June 1, 2004			
Issued April 9, 1996				Interest				Interest			
Interest Rates				Amount				Amount			
Year Ending June 30,				Total				Total			

See accompanying independent auditor's report.

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Year

	<u>2005</u>
Receipts:	
Property tax	\$ 356,027
Tax increment financing collections	30,719
Licenses and permits	5,817
Use of money and property	33,104
Intergovernmental	192,343
Charges for service	11,423
Miscellaneous	<u>328,066</u>
Total	<u><u>\$ 957,499</u></u>
Disbursements:	
Operating:	
Public safety	\$ 122,810
Public works	184,068
Culture and recreation	188,635
Community and economic development	5,025
General government	133,718
Debt service	125,496
Capital Projects	<u>1,050,397</u>
Total	<u><u>\$ 1,810,149</u></u>

See accompanying independent auditor's report.

PEAK & GERDES, LLP  
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corydon, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 18, 2005. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Corydon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Corydon's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Corydon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Corydon and other parties to whom the City of Corydon may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Corydon during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Gerdes, LLP  
Certified Public Accountants

November 18, 2005

City of Cordyon  
Schedule of Findings  
Year Ended June 30, 2005

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-05 Transfers – The City made some transfers between funds. However, these transfers were not formally approved by the City Council.

Recommendation – All transfers should be approved by the City Council.

Response – We will implement this recommendation.

Conclusion - Response accepted.

- I-C-05 Fund Reconciliation – The City does not appear to have procedures in place to ensure the costs incurred are claimed from the proper program, which consists of the capitalization grants for clean water state revolving fund and the capitalization grants for drinking water state revolving fund. In addition, the accounting records, on a fund by fund basis, do not appear to properly reflect the costs incurred for each program.

Recommendation – The City implement procedures to ensure costs incurred are claimed from the proper program, and that the accounting records properly reflect all costs, on a fund by fund basis.

Response – We will work with our grant administrator and the State of Iowa to correct this problem.

Conclusion – Response accepted.

City of Corydon  
Schedule of Findings  
Year Ended June 30, 2005

**Part II: Other Findings Related to Statutory Reporting:**

- II-A-05      Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05      Certified Budget - Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the public works, culture and recreation, debt service and capital projects activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - The budget will be amended in the future, if applicable.
- Conclusion - Response accepted.
- II-C-05      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-05      Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transactions Description	Amount
Rod Parham, Police Officer Owner of Rod's Auto Service	Vehicle repair, maintenance and fuel	\$4,269

The transactions with the police officer may represent a conflict of interest as defined in Chapter 362.5 of the Code of Iowa since total transactions exceed \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult with legal counsel to determine the disposition of the matter.

Response – We will review this with our attorney

Conclusion – Response accepted.

- II-F-05      Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05      Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Corydon

Schedule of Findings

Year Ended June 30, 2005

- II-H-05      Deposits and Investment – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-I-05      Revenue Bonds and Notes – For the Child Care Center Revenue Notes, the City does not have an adequate balance in the sinking account at June 30, 2005. For the Fire Department Revenue Notes, the City has not established a sinking account and a reserve account as required. For the Sewer Revenue and Water Revenue Capital Loan Notes, the City has not established sinking accounts as required.
- Recommendations – The City establish the above accounts as required by the Note agreements.
- Response – We will implement this recommendation.
- Conclusion – Response accepted.
- II-J-05      Annual Reports – The beginning and ending balances recorded on the City's annual report, as required by Chapter 384.22 of the Code of Iowa, do not agree to the City's accounting records. In addition, the Outstanding Obligations Report submitted to the State Treasurer's Office did not include one debt issue. The Street Finance Report submitted to the Department of Transportation did not include some receipts and disbursements.
- Recommendation - The City implement procedures to ensure the City's annual report agrees to the City's accounting records, and that the outstanding obligations report includes all debt issues. Also, procedures should be implemented to ensure the Street Finance Report is accurate.
- Response – We will make corrections next year to bring everything into balance.
- Conclusion - Response accepted.
- II-K-05      Financial Condition – The Capital Projects, Aquatic Center Fund had a deficit balance of \$187,210 at June 30, 2005. The balance in the Special Revenue, Employee Benefits Fund may be excessive.
- Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position. The City should also take steps to reduce the balance in the Employee Benefits Fund.
- Response – The deficit in the Aquatic Center Fund was due to construction costs incurred prior to receipt of donations. We will also evaluate the balance in the Employee Benefits Fund to determine if the cash on hand is excessive.
- Conclusion – Response accepted.

City of Corydon

Schedule of Findings

Year Ended June 30, 2005

- II-L-05      Pool Receipts – Even though there is a reconciliation between pool receipts and money that should be collected based on pool admissions, on some days significant differences were noted. Also, there appears to be a minimal control over concession stand receipts at the pool.
- Recommendation – Procedures should be implemented to ensure there is a reconciliation between pool receipts and money that should be collected based on pool admissions, and differences should be timely investigated. Also, procedures should be implemented for the control of concession stand receipts at the pool.
- Response – We will implement the above recommendations.
- Conclusion – Response accepted.
- II-M-05      Tax Increment Financing – The amount certified to the County Auditor on the Tax Increment Debt Certificate did not take into account the cash on hand in the Urban Renewal Tax Increment Financing Fund as of the date of certification.
- Recommendation – The City implement procedures to ensure the amount certified on the Tax Increment Debt Certificate takes into account the cash on hand in the Urban Renewal Tax Increment Financing Fund as of certification date.
- Response – We will implement the recommendation.
- Conclusion – Response accepted.
- II-N-05      Personnel – Not all employees are required to keep timecards. In addition, instances were noted where I9 and W4 forms were missing or incomplete. Also, written documentation is not always available documenting employees rate of pay.
- Recommendation – The City require that all employees keep timecards, and that I9 and W4 forms are on file for all employees. Also, written documentation should exist documenting employees rate of pay.
- Response – We will review this area.
- Conclusion – Response accepted.
- II-O-05      IRS Form 1099 – We noted instances in which the City failed to file IRS 1099-Misc. Forms.
- Recommendation – The City implement procedures to ensure all IRS 1099-Misc. Forms are filed in the future.
- Response – We will implement this recommendation.
- Conclusion – Response accepted.



City of Corydon

Schedule of Findings

Year Ended June 30, 2005

- II-P-05      Payment of General Obligation Bonds – Certain general obligation bonds were paid from funds other than the Debt Service Fund. Chapter 384.4 of the Code of Iowa states in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.” Adjustments were subsequently made to the financial statements to show all general obligation bond payments made from the Debt Service Fund.
- Recommendation – All payments of general obligation bonds should be disbursed from the Debt Service Fund.
- Response – We will implement this.
- Conclusion – Response accepted.
- II-Q-05      Compliance Issues – The City Code of Ordinances requires that the commercial garbage rates be established by resolution of the City Council. We noted that this was not done. In addition, based on our review of the pool contract, it appears the City significantly overpaid the architect for the aquatic center project.
- Recommendation – The City establish commercial garbage rates by resolution of the City Council, and consult with legal counsel in relation to the potential overpayment to the architect for the aquatic center project.
- Response - We will review the above and take action as necessary.
- Conclusion – Response accepted.
- II-R-05      Public Hearing – Chapter 384.102 of the Code of Iowa states that when the estimated cost of a public improvement exceeds \$25,000, the City shall hold a public hearing on the project. For Division I and III of the water and sewer construction project, a notice of public hearing was published, and the bids on the project were discussed by the City Council on the date in question. However, the City Council minutes do not document that a public hearing was actually held and that the plans and specifications were actually approved by the City.
- Recommendation – In the future, the City implement procedures to ensure Code of Iowa requirements are followed in relation to construction projects.
- Response – We will implement this recommendation.
- Conclusion – Response accepted.
- II-S-05      Library – Library receipts are only deposited once per month. The Library Board minutes do not consistently document the approval of the disbursements, and the Board President signs the checks in advance. On some certificates of deposits, the bank interest rate was less than the interest rate established by the State Rate Setting Committee.
- Recommendation – Library receipts should be deposited to the bank on a more timely basis. The Library Board should approve of all disbursements, and checks should not be signed in advance. The Library should implement procedures to ensure interest rates on certificates of deposits meet or exceed the interest rates established by the State Rate Setting Committee.
- Response – We will forward the above to the Library Board for consideration.
- Conclusion – Response accepted.